



# QUARTERLY STATEMENT

AS OF JUNE 30, 2009  
OF THE CONDITION AND AFFAIRS OF THE

## CareSource Michigan

NAIC Group Code 0000 , 0000 NAIC Company Code 95562 Employer's ID Number 38-3252216  
(Current Period) (Prior Period)

Organized under the Laws of Michigan , State of Domicile or Port of Entry Michigan

Country of Domicile United States

Licensed as business type: Life, Accident & Health [  ] Property/Casualty [  ] Hospital, Medical & Dental Service or Indemnity [  ]  
 Dental Service Corporation [  ] Vision Service Corporation [  ] Health Maintenance Organization [  ]  
 Other [  ] Is HMO, Federally Qualified? Yes [  ] No [  ]

Incorporated/Organized 05/24/1995 Commenced Business 08/01/1996

Statutory Home Office 2369 Woodlake Dr, Suite 200 , Okemos, MI 48864  
(Street and Number) (City, State and Zip Code)

Main Administrative Office 2369 Woodlake Dr, Suite 200 Okemos, MI 48864 517-349-9922  
(Street and Number) (City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 2369 Woodlake Dr, Suite 200 , Okemos, MI 48864  
(Street and Number or P.O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records 2369 Woodlake Dr, Suite 200 Okemos, MI 48864 937-531-2206  
(Street and Number) (City, State and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address www.caresource.com

Statutory Statement Contact Pamela S. Sedmak 937-531-2206  
(Name) (Area Code) (Telephone Number) (Extension)  
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(E-Mail Address) (Fax Number)

### OFFICERS

Name	Title	Name	Title
<u>Sharon R. Williams</u>	<u>Plan President</u>	<u>Pamela S. Sedmak</u>	<u>Chief Financial Officer</u>
<u>Craig Theile M.D.</u>	<u>Chief Medical Officer</u>	<u>Bobby Jones</u>	<u>Chief Operating Officer</u>

### OTHER OFFICERS

### DIRECTORS OR TRUSTEES

<u>Pamela B. Morris</u>	<u>John M. Rockwood</u>	<u>R. Daniel Sadlier</u>	<u>Margaret Marchak #</u>
<u>Patricia Teague</u>	<u>Patricia Williams</u>		

State of .....  
 County of ..... SS

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Sharon R. Williams  
Plan President

Pamela S. Sedmak  
Chief Financial Officer

John M. Rockwood  
Chairman

a. Is this an original filing? Yes [  ] No [  ]

b. If no,  
 1. State the amendment number \_\_\_\_\_  
 2. Date filed \_\_\_\_\_  
 3. Number of pages attached \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_

STATEMENT AS OF JUNE 30, 2009 OF THE CareSource Michigan

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	19,642,119		19,642,119	19,374,506
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....			0	0
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....23,284,319 ), cash equivalents (\$ .....0 ) and short-term investments (\$ .....0 ) .....	23,284,319		23,284,319	25,086,829
6. Contract loans (including \$ ..... premium notes)			0	0
7. Other invested assets .....	0		0	0
8. Receivables for securities .....			0	0
9. Aggregate write-ins for invested assets .....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	42,926,438	0	42,926,438	44,461,335
11. Title plants less \$ ..... charged off (for Title insurers only)			0	0
12. Investment income due and accrued .....	213,074		213,074	255,523
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	375,769		375,769	301,729
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....			0	0
13.3 Accrued retrospective premiums .....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....	53,882		53,882	57,163
14.2 Funds held by or deposited with reinsured companies .....			0	0
14.3 Other amounts receivable under reinsurance contracts .....			0	0
15. Amounts receivable relating to uninsured plans .....			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
16.2 Net deferred tax asset .....			0	0
17. Guaranty funds receivable or on deposit .....			0	0
18. Electronic data processing equipment and software .....			0	0
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
21. Receivables from parent, subsidiaries and affiliates .....			0	0
22. Health care (\$ .....1,827,226 ) and other amounts receivable .....	1,827,226		1,827,226	1,212,756
23. Aggregate write-ins for other than invested assets .....	22,500	22,500	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	45,418,889	22,500	45,396,389	46,288,506
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
26. Total (Lines 24 and 25)	45,418,889	22,500	45,396,389	46,288,506
<b>DETAILS OF WRITE-INS</b>				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid assets .....	22,500	22,500	0	0
2302. ....				
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	22,500	22,500	0	0

## LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ .....38,027 reinsurance ceded)	15,159,509		15,159,509	15,526,543
2. Accrued medical incentive pool and bonus amounts	143,635		143,635	120,598
3. Unpaid claims adjustment expenses	262,246		262,246	288,852
4. Aggregate health policy reserves			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance			0	0
9. General expenses due or accrued	484,898		484,898	1,113,905
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	123,127		123,127	4,403,394
16. Payable for securities			0	0
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ ..... current)	70,484	0	70,484	5,303,300
22. Total liabilities (Lines 1 to 21)	16,243,899	0	16,243,899	26,756,592
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		0
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	7,831,735	7,831,735
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	21,320,755	11,700,179
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24) \$ ..... )	XXX	XXX		0
30.2 ..... shares preferred (value included in Line 25) \$ ..... )	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	29,152,490	19,531,914
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	45,396,389	46,288,506
<b>DETAILS OF WRITE-INS</b>				
2101. Former CCM Member Liability	70,484		70,484	5,303,300
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	70,484	0	70,484	5,303,300
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801. ....	XXX	XXX		
2802. ....	XXX	XXX		
2803. ....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

**STATEMENT OF REVENUE AND EXPENSES**

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months.....	XXX	297,878	301,502	598,324
2. Net premium income (including \$ ..... non-health premium income).....	XXX	82,361,838	76,066,581	154,533,534
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0	0
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0	0
5. Risk revenue .....	XXX		0	0
6. Aggregate write-ins for other health care related revenues .....	XXX	(2,287,202)	(4,199,756)	(8,441,023)
7. Aggregate write-ins for other non-health revenues .....	XXX	0	0	0
8. Total revenues (Lines 2 to 7) .....	XXX	80,074,636	71,866,825	146,092,511
<b>Hospital and Medical:</b>				
9. Hospital/medical benefits .....		44,468,129	42,352,731	85,759,555
10. Other professional services .....		4,817,626	4,134,079	8,510,192
11. Outside referrals .....			0	0
12. Emergency room and out-of-area .....		3,749,971	3,448,323	7,186,300
13. Prescription drugs .....		9,569,380	12,135,183	21,864,059
14. Aggregate write-ins for other hospital and medical.....	0	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		126,193	0	246,116
16. Subtotal (Lines 9 to 15) .....	0	62,731,299	62,070,316	123,566,222
<b>Less:</b>				
17. Net reinsurance recoveries .....		77,941	191,413	411,416
18. Total hospital and medical (Lines 16 minus 17) .....	0	62,653,358	61,878,903	123,154,806
19. Non-health claims (net).....			0	0
20. Claims adjustment expenses, including \$ 1,873,799 ..... cost containment expenses.....		2,342,906	1,283,318	4,178,710
21. General administrative expenses.....		5,611,487	3,706,779	5,485,886
22. Increase in reserves for life and accident and health contracts including \$ ..... increase in reserves for life only).....			0	0
23. Total underwriting deductions (Lines 18 through 22) .....	0	70,607,751	66,869,000	132,819,402
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	9,466,885	4,997,825	13,273,109
25. Net investment income earned .....		583,514	352,240	967,470
26. Net realized capital gains (losses) less capital gains tax of \$.....			0	26,925
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	583,514	352,240	994,395
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... ) .....			0	0
29. Aggregate write-ins for other income or expenses .....	0	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	10,050,399	5,350,065	14,267,504
31. Federal and foreign income taxes incurred .....	XXX		0	0
32. Net income (loss) (Lines 30 minus 31) .....	XXX	10,050,399	5,350,065	14,267,504
<b>DETAILS OF WRITE-INS</b>				
0601. Quality Assurance Assessment.....	XXX	(2,287,202)	(4,199,756)	(8,441,023)
0602. ....	XXX			
0603. ....	XXX			
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	XXX	(2,287,202)	(4,199,756)	(8,441,023)
0701. ....	XXX			
0702. ....	XXX			
0703. ....	XXX			
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	XXX	0	0	0
1401. ....			0	0
1402. ....			0	0
1403. ....				
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	0	0	0	0
2901. ....			0	0
2902. ....				
2903. ....				
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) .....	0	0	0	0

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
<b>CAPITAL AND SURPLUS ACCOUNT:</b>			
33. Capital and surplus prior reporting year.....	19,531,914	9,486,894	9,486,894
34. Net income or (loss) from Line 32.....	10,050,399	5,350,065	14,267,504
35. Change in valuation basis of aggregate policy and claim reserves.....		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....		0	0
37. Change in net unrealized foreign exchange capital gain or (loss).....		0	0
38. Change in net deferred income tax.....		0	0
39. Change in nonadmitted assets.....	175,815	156,299	177,516
40. Change in unauthorized reinsurance.....	0	0	0
41. Change in treasury stock.....		0	0
42. Change in surplus notes.....	0	0	0
43. Cumulative effect of changes in accounting principles.....		0	0
44. Capital Changes:			
44.1 Paid in.....		0	0
44.2 Transferred from surplus (Stock Dividend).....		0	0
44.3 Transferred to surplus.....		0	0
45. Surplus adjustments:			
45.1 Paid in.....		0	0
45.2 Transferred to capital (Stock Dividend).....	0	0	0
45.3 Transferred from capital.....	(605,638)	0	(4,400,000)
46. Dividends to stockholders.....		0	0
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0	0
48. Net change in capital & surplus (Lines 34 to 47).....	9,620,576	5,506,364	10,045,020
49. Capital and surplus end of reporting period (Line 33 plus 48)	29,152,490	14,993,258	19,531,914
<b>DETAILS OF WRITE-INS</b>			
4701. ....			
4702. ....			
4703. ....			
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0	0

**CASH FLOW**

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance.....	82,156,875	155,588,873
2. Net investment income .....	478,576	915,279
3. Miscellaneous income .....	(5,312,058)	(8,547,034)
4. Total (Lines 1 to 3) .....	77,323,393	147,957,118
5. Benefit and loss related payments .....	63,238,696	121,407,752
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	5,408,972	13,801,746
8. Dividends paid to policyholders .....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9) .....	68,647,668	135,209,498
11. Net cash from operations (Line 4 minus Line 10) .....	8,675,725	12,747,620
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	1,637,557	2,480,764
12.2 Stocks .....	0	0
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	0
12.7 Miscellaneous proceeds .....	0	26,925
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	1,637,557	2,507,689
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	1,877,338	17,744,658
13.2 Stocks .....	0	0
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	0	0
13.5 Other invested assets .....	0	0
13.6 Miscellaneous applications .....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	1,877,338	17,744,658
14. Net increase (or decrease) in contract loans and premium notes .....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	(239,781)	(15,236,969)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	0	0
16.2 Capital and paid in surplus, less treasury stock .....	0	0
16.3 Borrowed funds .....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0
16.5 Dividends to stockholders .....	0	0
16.6 Other cash provided (applied).....	(10,238,454)	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	(10,238,454)	0
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(1,802,510)	(2,489,349)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	25,086,829	27,576,178
19.2 End of period (Line 18 plus Line 19.1) .....	23,284,319	25,086,829

**STATEMENT AS OF JUNE 30, 2009 OF THE CareSource Michigan**

**EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION**

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Other
		2 Individual	3 Group							
<b>Total Members at end of:</b>										
1. Prior Year .....	49,465	.0	.0	.0	.0	.0	.0	.59	49,406	.0
2. First Quarter .....	49,708	.0	.0	.0	.0	.0	.0	.87	49,621	.0
3. Second Quarter .....	48,988							.85	48,903	
4. Third Quarter .....	.0									
5. Current Year .....	.0									
6. Current Year Member Months	297,878							484	297,394	
<b>Total Member Ambulatory Encounters for Period:</b>										
7. Physician .....	116,650							335	116,315	
8. Non-Physician .....	85,165							261	84,904	
9. Total .....	201,815	.0	.0	.0	.0	.0	.0	596	201,219	.0
10. Hospital Patient Days Incurred	9,904							.114	9,790	
11. Number of Inpatient Admissions	2,776							.24	2,752	
12. Health Premiums Written .....	82,606,232							451,397	82,154,835	
13. Life Premiums Direct .....	.0									
14. Property/Casualty Premiums Written .....	.0									
15. Health Premiums Earned .....	82,606,232							451,397	82,154,835	
16. Property/Casualty Premiums Earned .....	.0									
17. Amount Paid for Provision of Health Care Services .....	63,238,696							517,607	62,721,089	
18. Amount Incurred for Provision of Health Care Services	62,731,299							512,512	62,218,787	

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$ .....

STATEMENT AS OF JUNE 30, 2009 OF THE CareSource Michigan

**CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
<b>Claims Unpaid (Reported)</b>						0
						0
0899999 Accrued Medical Incentive Pool and Bonus Amounts	XXX	XXX	XXX	XXX	XXX	143,635

STATEMENT AS OF JUNE 30, 2009 OF THE CareSource Michigan

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec. 31 of Prior Year	On Claims Incurred During the Year		
1. Comprehensive (hospital & medical) .....					.0	.0
2. Medicare Supplement .....					.0	.0
3. Dental Only .....					.0	.0
4. Vision Only .....					.0	.0
5. Federal Employees Health Benefits Plan .....					.0	.0
6. Title XVIII - Medicare .....	139,297	378,310		133,071	139,297	138,165
7. Title XIX - Medicaid .....	13,475,822	51,933,495	916,792	14,109,646	14,392,614	15,388,378
8. Other Health .....					.0	.0
9. Health Subtotal (Lines 1 to 8).....	13,615,119	52,311,805	916,792	14,242,717	14,531,911	15,526,543
10. Healthcare receivables (a) .....	818,004	1,973,380	148,814	950,272	966,818	857,745
11. Other non-health .....					.0	.0
12. Medical incentive pools and bonus amounts .....	103,156			143,635	103,156	120,598
13. Totals	12,900,271	50,338,425	767,978	13,436,080	13,668,249	14,789,396

(a) Excludes \$ ..... loans and advances to providers not yet expensed.

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## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

A. Accounting Practices – The financial statements of CareSource Michigan, (“the Company”) are presented on the basis of accounting practices prescribed or permitted by the State of Michigan, Office of Financial and Insurance Regulation (“OFIR”). The statements have been completed in accordance with the NAIC *Accounting Practices and Procedures* manual except to the extent that Michigan law differs. No material change has occurred since the Annual 2008 filing.

**Investments:** Bonds not backed by other loans are principally stated at amortized cost using the interest method. Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities. Realized capital gains and losses are determined using the first in first out method. CSM does not engage in subprime residential lending.

**Nonadmitted Assets:** Certain assets designated as “nonadmitted,” principally past-due agents’ balances, furniture and equipment, unsecured loans or cash advances to officers or agents, company’s stock as collateral for loans, non-bankable checks, trade names and other intangible assets, and other assets not specifically identified as an admitted asset within the NAIC AP&P are excluded from the accompanying balance sheets and are charged directly to unassigned surplus. In accordance with GAAP, such assets are included in the balance sheet to the extent that those assets are not impaired.

**Reinsurance:** Unpaid claims liabilities and premiums received in advance ceded to reinsurers have been reported as reductions of the related balances rather than as assets as would be required in accordance with GAAP.

**Statements of Cash Flows:** Cash, cash equivalents, and short-term investments in the statements of cash flows represent cash balances and investments with initial maturities of one year or less. In accordance with GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

**Cash and Short-Term Investments:** CSM considers all highly liquid investments purchased with an original maturity of one year or less to be short-term investments. These investments are stated at amortized cost, which approximates fair value.

**Other than temporary impairments:** Management regularly reviews the value of CSM’s investments. If the value of any investment falls below its cost basis, the decline in value is analyzed to determine whether it is an “other-than-temporary impairment”. The decision to record an impairment loss incorporates both quantitative criteria and qualitative information. The Company considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c) the intent and ability of CS to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (d) whether the debtor is current on interest and principal payments and (e) general market conditions and industry or sector specific factors.

**Pharmacy Rebate Receivable:** Pharmacy rebates are based primarily agreements between CSM, a third party pharmacy benefits manager (PBM) and manufacturers. Rebates are admitted if invoiced or otherwise confirmed. At the end of the quarter, all pharmacy rebates were treated as admitted.

**Claims and Claim Adjustment Expenses:** Claims unpaid and unpaid claims adjustment expense liabilities represent management’s best estimate of the ultimate net cost of all reported and unreported claims incurred through December 31. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

**Sunset of Quality Assurance Assessment (QAAP):** Beginning April 2009, the State of Michigan (QAAP) discontinued and was replaced with a Use Tax. QAAP is recorded on The Statement of Revenue and Expense line 6 and Use Tax included on line 21 of the same statement. For comparison, the amount of Use tax now classified as administrative costs in 2009 is \$2,444,474.

B. Use of Estimates in the Preparation of the Financial Statements – The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Office of Financial and Insurance Regulation of the State of Michigan requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Due to the prospective nature of these estimates, actual results could differ. Medical revenues and expenses require significant estimates, which include incurred but not reported claims.

C. Accounting Policy – The Company receives monthly capitation and delivery case rate payments under its contract with the Michigan Department of Community Health. The Company is required to provide covered health care services to all recipients enrolled, regardless of the cost of care provided. Capitation and delivery case rate revenue is recognized in the month that recipients are entitled to health care benefits. Reinsurance premiums are netted against premium revenue, and reinsurance recoveries are reported as a reduction of related health care costs.

2. Accounting Changes and Correction of Errors - None

3. Business Combinations and Goodwill – None

4. Discontinued Operations - Not applicable

### 5. Investments

a. Mortgage Loans - None

b. Debt Restructuring - None

## NOTES TO FINANCIAL STATEMENTS

- c. Reverse Mortgage - None
- d. Loan-Backed Securities - None
- e. Repurchase Agreements - None
- f. Real Estate - None
- g. Low Income Housing and Tax Credits - None

6. Joint Ventures, Partnerships and Limited Liability Companies – The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

7. Investment Income – Interest income earned through June 30, 2009 is accrued in the accompanying financial statements.

8. Derivative Instruments – None

9. Income Taxes – Not applicable; tax exempt 501(c) 3 organization.

10. Information Concerning Parent, Subsidiaries and Affiliates –

The Company paid management fees to CareSource Management Group and CareSource Management Services of \$5,316,659 for the six months ended June 30, 2009. Costs are allocated in accordance with SSAP No. 70, Allocation of Expenses. As of June 30, 2009, the company reported a liability balance of \$123,128.

The Company also began activity with the CareSource Foundation. The Foundation manages contributions to Michigan based non-profit endeavors. Contributions from the foundation began in the second quarter of 2009 and the company's funding will begin in the third quarter of the year.

11. Debt - None

12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Other Post Retirement Benefit Plans

- a. Defined Benefit Plan - None
- b. Defined Contribution Plan - None
- c. Multi-employer Plans - None
- d. Consolidated/Holding Company Plans - None

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations – Per the Membership Interest Transfer Agreement associated with the purchase of Community Choice Michigan by CSUSA, which closed on November 30, 2007, and in accordance with a Form A filing approved by OFIR, the net capital and surplus at the closing date is payable to the prior Member Owners over several post closing dates. Payments of \$ 6,794,420 occurred during 2008 and \$5,982,137 during 2009.

The ordinary distribution payable to CareSource USA at December 31, 2008 of \$4,400,000 was paid on January 12, 2009.

14. Contingencies - None

15. Leases – The monthly rental for the principal office location of the Company is the financial responsibility of the CareSource Management Group per the administrative services agreement.

16. Information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk – No such instruments.

17. Sale, transfer and servicing of financial assets and extinguishments of liabilities

- a. Transfers of receivables reported as sales - None
- b. Transfer and servicing of financial assets - None
- c. Wash sales - None

18. Gain or Loss to the reporting entity for uninsured A&H plans and the uninsured portion of partially insured plans

- a. ASO plans – N/A
- b. ASC plans – N/A
- c. Medicare or similarly structured cost based reimbursed contracts
  1. Revenue from the Company's Medicare (or similarly structured cost based reimbursement contract) contract for the year 2009 consisted of \$79,177 for medical and hospital related services.
  2. As of June 30, 2009, the Company has no recorded receivables from the following payors whose account balances are greater than 10% of the Company's amounts receivable from uninsured accident and health plans or \$10,000:
  3. In connection with the Company's Medicare (or similarly structured cost based reimbursement contract) contract, the Company has recorded no allowances and no reserves for adjustment of recorded revenues at June 30, 2009.
  4. The Company has made no adjustment to revenue resulting from audit receivables related to revenues recorded in the prior period.

19. Direct premium written/produced by managing general agents/third party administrator – Not applicable.

20. Other Items - None

21. Events subsequent - None

## NOTES TO FINANCIAL STATEMENTS

22. Reinsurance-

- A. Ceded Reinsurance Report.  
 Section 1. General Interrogatories  
     1. No  
     2. No  
 Section 2 Ceded Reinsurance Report - Part A  
     1. No  
     2. No  
 Section 3 Ceded Reinsurance Report - Part B  
     1. \$244,394  
     2. No
- B. Uncollectable Reinsurance - None  
 C. Commutation of Ceded Reinsurance - None

23. Retrospectively rated contracts & contracts subject to redetermination – None.

24. Change in Incurred Claims and Claims Adjustment Expenses - Incurred claims attributable to insured events of prior years has decreased by \$1.0 million from \$15.5 million in 2008 to \$14.5 million in 2009 as a result of re-estimation of unpaid claims expense combined with current year payments for prior years. This decrease is the result of ongoing analysis of loss development trends.

25. Intercompany Pooling Arrangements - Not applicable26. Structured Settlements - Not applicable

27. Health Care Receivables - CareSource Michigan recorded \$613,762 of pharmacy rebates and during 2009, collected \$423,136 for rebates related to 2008. Pharmacy rebates are netted with pharmacy expense.

The Company's administration of rebates is primarily through a pharmacy benefits manager (PBM). Reports are generated by the PBM and these are used to estimate receivables. Estimated receivables are confirmed with actual cash receipt of rebates and the accompanying report detailing the amounts by manufacturer. These reports are received on a quarterly basis, generally six months after the quarter in which the receivable is recorded. Separate contracts are in place directly with pharmacy manufacturers, account for a small percentage of total rebate activity.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Quarter	Estimated Pharmacy Rebates As Reported on Financial Statements	Pharmacy Rebates as billed or Otherwise Confirmed	Actual Rebates Received within 90 days of Billing	Actual Rebates Received Within 91 to 180 days of Billing	Actual Rebates Received More than 180 days of Billing
06/30/09	251,440	251,440			
03/31/09	248,469	248,469			
12/31/08	280,122	271,330		165,035	
09/30/08	198,315	245,858		242,507	
06/30/08	228,282	240,386			236,490
03/31/08	235,233	236,396			236,085
12/31/07	217,927	215,932			215,932
09/30/07	187,663	184,107			184,107
06/30/07	230,608	242,742			242,742
03/31/07	243,704	243,704			243,704
12/31/06	233,054	233,054			233,054
09/30/06	220,748	220,748			220,748
06/30/06	262,281	262,281			262,281
03/31/06	204,506	204,506			204,506

28. Participating Policies - Not applicable.

## NOTES TO FINANCIAL STATEMENTS

29. Premium Deficiency Reserves - Not deemed necessary.

30. Anticipated Salvage and Subrogation – Subrogation recoveries totaled \$ 276,145 for the period ended June 30, 2009.

**GENERAL INTERROGATORIES**

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

**PART 1 - COMMON INTERROGATORIES  
GENERAL**

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]
  
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [X] No [ ]
- 2.2 If yes, date of change: ..... 04/01/2009
  
- 3. Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [X]  
If yes, complete the Schedule Y - Part 1 - organizational chart.
  
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [X] NA [ ]  
If yes, attach an explanation.
  
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/2008
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .... 12/31/2005
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .... 11/13/2006
- 6.4 By what department or departments?  
Office of Financial and Insurance Regulation.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [X] No [ ] NA [ ]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [X] No [ ] NA [ ]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [X]
- 7.2 If yes, give full information:  
.....
  
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
  
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ ] No [X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

**GENERAL INTERROGATORIES**

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?..... Yes  No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:  
.....
- 9.2 Has the code of ethics for senior managers been amended?..... Yes  No
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).  
.....
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?..... Yes  No
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).  
.....

**FINANCIAL**

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes  No
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: ..... \$ .....

**INVESTMENT**

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes  No
- 11.2 If yes, give full and complete information relating thereto:  
.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: ..... \$ .....
13. Amount of real estate and mortgages held in short-term investments: ..... \$ .....

- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes  No
- 14.2 If yes, please complete the following:

	1	2
	Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
14.21 Bonds .....	\$ .....	\$ .....
14.22 Preferred Stock .....	\$ .....	\$ .....
14.23 Common Stock .....	\$ .....	\$ .....
14.24 Short-Term Investments .....	\$ .....	\$ .....
14.25 Mortgage Loans on Real Estate .....	\$ .....	\$ .....
14.26 All Other .....	\$ .....	\$ .....
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$ .....0	\$ .....0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above ....	\$ .....	\$ .....

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes  No
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes  No   
If no, attach a description with this statement.

## GENERAL INTERROGATORIES

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?.....

Yes [X] No [ ]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Fifth Third Bank.....	111 Lyin St NW, Grand Rapids MI 49503.....

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? .....

Yes [ ] No [X]

16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? .....

Yes [X] No [ ]

17.2 If no, list exceptions:

.....



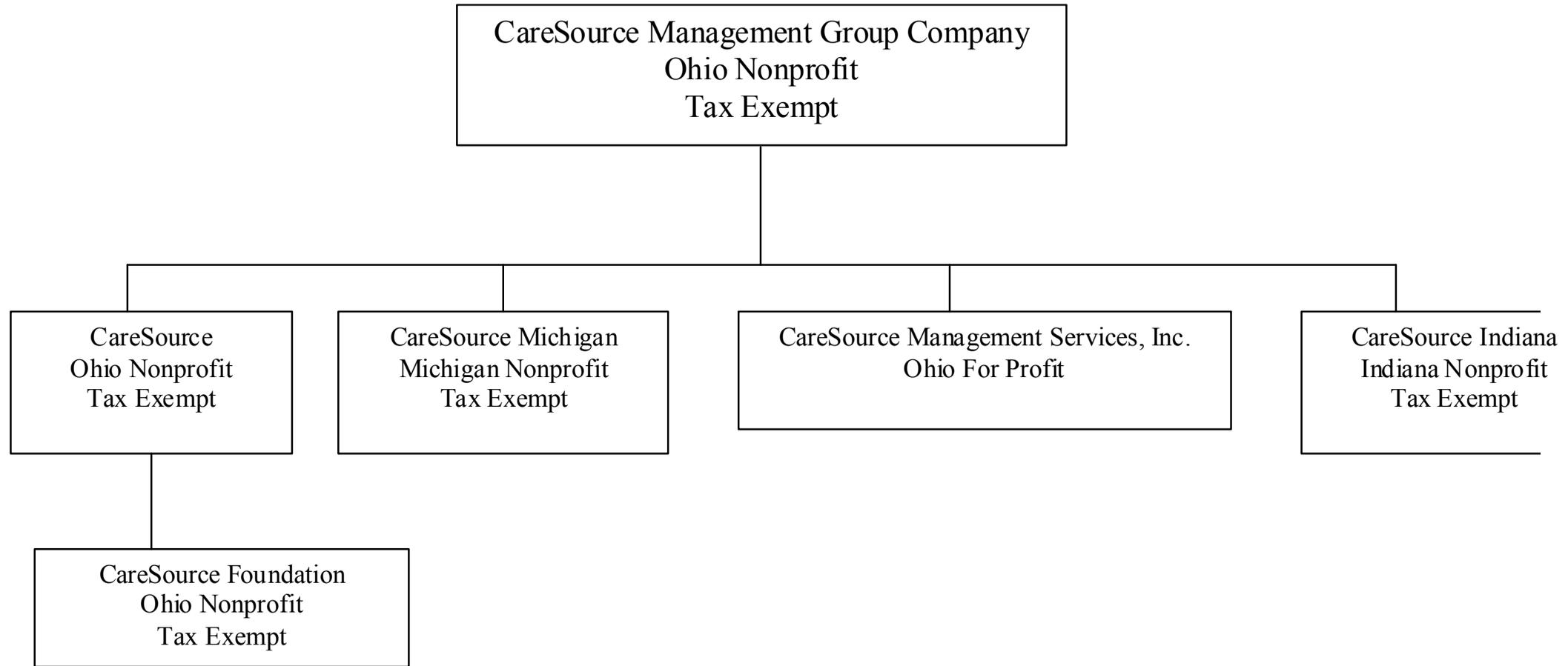
**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Business Only							9 Deposit-Type Contracts	
		2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefit Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/Casualty Premiums	8 Total Columns 2 Through 7		
1. Alabama	AL	N							0	
2. Alaska	AK	N							0	
3. Arizona	AZ	N							0	
4. Arkansas	AR	N							0	
5. California	CA	N							0	
6. Colorado	CO	N							0	
7. Connecticut	CT	N							0	
8. Delaware	DE	N							0	
9. District of Columbia	DC	N							0	
10. Florida	FL	N							0	
11. Georgia	GA	N							0	
12. Hawaii	HI	N							0	
13. Idaho	ID	N							0	
14. Illinois	IL	N							0	
15. Indiana	IN	N							0	
16. Iowa	IA	N							0	
17. Kansas	KS	N							0	
18. Kentucky	KY	N							0	
19. Louisiana	LA	N							0	
20. Maine	ME	N							0	
21. Maryland	MD	N							0	
22. Massachusetts	MA	N							0	
23. Michigan	MI	L	451,397	82,154,835					82,606,232	
24. Minnesota	MN	N							0	
25. Mississippi	MS	N							0	
26. Missouri	MO	N							0	
27. Montana	MT	N							0	
28. Nebraska	NE	N							0	
29. Nevada	NV	N							0	
30. New Hampshire	NH	N							0	
31. New Jersey	NJ	N							0	
32. New Mexico	NM	N							0	
33. New York	NY	N							0	
34. North Carolina	NC	N							0	
35. North Dakota	ND	N							0	
36. Ohio	OH	N							0	
37. Oklahoma	OK	N							0	
38. Oregon	OR	N							0	
39. Pennsylvania	PA	N							0	
40. Rhode Island	RI	N							0	
41. South Carolina	SC	N							0	
42. South Dakota	SD	N							0	
43. Tennessee	TN	N							0	
44. Texas	TX	N							0	
45. Utah	UT	N							0	
46. Vermont	VT	N							0	
47. Virginia	VA	N							0	
48. Washington	WA	N							0	
49. West Virginia	WV	N							0	
50. Wisconsin	WI	N							0	
51. Wyoming	WY	N							0	
52. American Samoa	AS	N							0	
53. Guam	GU	N							0	
54. Puerto Rico	PR	N							0	
55. U.S. Virgin Islands	VI	N							0	
56. Northern Mariana Islands	MP	N							0	
57. Canada	CN	N							0	
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal	XXX	0	451,397	82,154,835	0	0	0	82,606,232	0	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0		
61. Total (Direct Business)	(a) 1	0	451,397	82,154,835	0	0	0	82,606,232	0	0
DETAILS OF WRITE-INS										
5801.	XXX									
5802.	XXX									
5803.	XXX									
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0	0

(a) Insert the number of L responses except for Canada and other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART**



## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplemental is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Statement be filed with the state of domicile and the NAIC with this statement?

.....SEE EXPLANATION.....

**Explanation:**

1.Coverage provided through a Medicare Advantage Program

**Bar Code:**

**OVERFLOW PAGE FOR WRITE-INS**

---

**SCHEDULE A - VERIFICATION**

**Real Estate**

	1 Year to Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Current year change in encumbrances	0	0
4. Total gain (loss) on disposals	0	0
5. Deduct amounts received on disposals	0	0
6. Total foreign exchange change in book/adjusted carrying value	0	0
7. Deduct current year's other than temporary impairment recognized	0	0
8. Deduct current year's depreciation	0	0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

**SCHEDULE B – VERIFICATION**

**Mortgage Loans**

	1 Year to Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and mortgage interest points and commitment fees	0	0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest	0	0
10. Deduct current year's other than temporary impairment recognized	0	0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance	0	0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

**SCHEDULE BA – VERIFICATION**

**Other Long-Term Invested Assets**

	1 Year To Date	2 Prior Year Ended December 31
<b>NONE</b>		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	0	0
2.2 Additional investment made after acquisition	0	0
3. Capitalized deferred interest and other	0	0
4. Accrual of discount	0	0
5. Unrealized valuation increase (decrease)	0	0
6. Total gain (loss) on disposals	0	0
7. Deduct amounts received on disposals	0	0
8. Deduct amortization of premium and depreciation	0	0
9. Total foreign exchange change in book/adjusted carrying value	0	0
10. Deduct current year's other than temporary impairment recognized	0	0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

**SCHEDULE D – VERIFICATION**

**Bonds and Stocks**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	19,374,506	4,065,324
2. Cost of bonds and stocks acquired	1,877,338	17,744,658
3. Accrual of discount	44,974	18,563
4. Unrealized valuation increase (decrease)	0	0
5. Total gain (loss) on disposals	659	26,925
6. Deduct consideration for bonds and stocks disposed of	1,637,557	2,465,995
7. Deduct amortization of premium	17,801	14,969
8. Total foreign exchange change in book/adjusted carrying value	0	0
9. Deduct current year's other than temporary impairment recognized	0	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	19,642,119	19,374,506
11. Deduct total nonadmitted amounts	0	0
12. Statement value at end of current period (Line 10 minus Line 11)	19,642,119	19,374,506

STATEMENT AS OF JUNE 30, 2009 OF THE CareSource Michigan

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a).....	19,997,481		1,331,483	14,757	19,997,481	18,680,755	.0	21,406,244
2. Class 2 (a).....	959,807			1,557	959,807	961,364	.0	958,261
3. Class 3 (a).....	.0				.0	.0	.0	.0
4. Class 4 (a).....	.0				.0	.0	.0	.0
5. Class 5 (a).....	.0				.0	.0	.0	.0
6. Class 6 (a).....	0				0	0	0	0
7. Total Bonds	20,957,288	0	1,331,483	16,314	20,957,288	19,642,119	0	22,364,505
<b>PREFERRED STOCK</b>								
8. Class 1.....	.0				.0	.0	.0	.0
9. Class 2.....	.0				.0	.0	.0	.0
10. Class 3.....	.0				.0	.0	.0	.0
11. Class 4.....	.0				.0	.0	.0	.0
12. Class 5.....	.0				.0	.0	.0	.0
13. Class 6.....	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	20,957,288	0	1,331,483	16,314	20,957,288	19,642,119	0	22,364,505

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....; NAIC 2 \$.....; NAIC 3 \$.....; NAIC 4 \$.....; NAIC 5 \$.....; NAIC 6 \$.....

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**SCHEDULE DA - PART 1**

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	<b>NONE</b>				
		XXX			

**SCHEDULE DA - VERIFICATION**

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	3,990,000	7,144,344
2. Cost of short-term investments acquired .....		5,990,000
3. Accrual of discount.....		.1
4. Unrealized valuation increase (decrease).....		.0
5. Total gain (loss) on disposals.....		.0
6. Deduct consideration received on disposals.....	3,990,000	9,144,345
7. Deduct amortization of premium.....		.0
8. Total foreign exchange change in book/adjusted carrying value.....		.0
9. Deduct current year's other than temporary impairment recognized.....		.0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	.0	3,990,000
11. Deduct total nonadmitted amounts.....		.0
12. Statement value at end of current period (Line 10 minus Line 11)	0	3,990,000

Schedule DB - Part F - Section 1

**NONE**

Schedule DB - Part F - Section 2

**NONE**

Schedule E Verification

**NONE**

Schedule A - Part 2

**NONE**

Schedule A - Part 3

**NONE**

Schedule B - Part 2

**NONE**

Schedule B - Part 3

**NONE**

Schedule BA - Part 2

**NONE**

Schedule BA - Part 3

**NONE**

Schedule D - Part 3

**NONE**

STATEMENT AS OF JUNE 30, 2009 OF THE CareSource Michigan

**SCHEDULE D - PART 4**

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22	
										11	12	13	14	15								
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)	
3128X7-D6-8	FHLMC MNT AGY	D	06/30/2009	Fifth Third Bank		1,000,000	1,000,000	1,000,000					0		1,000,000			0	30,000	06/30/2023	U	
3136F9-J6-1	FNMA AGY STEP-UP	D	04/16/2009	Fifth Third Bank		250,000	250,000	249,219			71		71		249,341		659	659	7,568	10/16/2023	U	
0399999	- Bonds - U.S. Governments					1,250,000	1,250,000	1,249,219			71		71		1,249,341		659	659	37,568		XXX	
8399997	- Bonds - Part 4					1,250,000	1,250,000	1,249,219			71		71		1,249,341		659	659	37,568		XXX	
8399999	- Total - Bonds					1,250,000	1,250,000	1,249,219	0	0	71	0	71	0	1,249,341	0	659	659	37,568		XXX	
8999999	- Total - Preferred Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9799999	- Total - Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9899999	- Total - Preferred and Common Stocks					0	XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	XXX
9999999	Totals					1,250,000	XXX	1,249,219	0	0	71	0	71	0	1,249,341	0	659	659	37,568		XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

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Schedule DB - Part A - Section 1

**NONE**

Schedule DB - Part B - Section 1

**NONE**

Schedule DB - Part C - Section 1

**NONE**

Schedule DB - Part D - Section 1

**NONE**



Schedule E - Part 2 - Cash Equivalents  
**NONE**